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NFPA

AN ECONOMICS BULLETIN OF THE FOREST PRODUCTS INDUSTRY

# ECONOMICS MONTHLY

Volume III Number 8 August, 1987

**MONTHLY STATISTICAL HIGHLIGHTS**

Softwood lumber production in June was at a seasonally-adjusted annual rate of 41.1 billion board feet.

Wood products exports during the first half of the year totaled nearly $1.8 billion, up 25 percent from last year.

Western lumber shipments rose 9 percent in June, and are up over 11 percent for the year.

Seasonally-adjusted monthly sales of lumber and other construction materials by merchant wholesalers soared to nearly $5 billion in June, 22 percent higher than in June, 1986.

The U.S. merchandise trade deficit rose to $81.9 billion during the first six months of the year, up from $78.6 billion last year.

## ECONOMY WATCH -- BANNER YEAR IN SIGHT

Will 1987 be a banner year? It certainly appears so. Eight months into the year, the wood products industry is thriving. Shipments of softwood lumber during the first six months were up 15 percent from last year and regional reports for July and August also show gains. The same is true for structural panels and other wood products. Hardwood producers are reporting multiple worker shifts and fat order files. Unfortunately, the statistics are not accurately reflective of the increased activity in the hardwood segment. [NOTE: NFPA is currently reassessing its method of computing hardwood statistics; more reliable figures will be available in the near future.]

Wood product markets continue their robust performance despite a housing slowdown. Consumption of softwood lumber will likely reach 50 billion board feet this year, higher than most forecasts had projected. Among the explanations:

- *more wood* -- particularly wood amenities such as decking -- is being used in houses which are, on average, larger.

- *wood demand for repair and remodeling accounts for a larger share of domestic consumption.* The additions and alterations segment of R&R jumped by one-third in 1986, and continues.

- *cocooning* -- sociologists' new term for the phenomenon of maturing baby boomers' preference for staying at home -- has fueled demand for household furniture and cabinetry.

Moreover, industry performance is buoyed by a relatively firm market. Through July, the Random Lengths Composite averaged $228/MBF, up from last year's $205/MBF. In late August, the composite reached $250.00 per MBF, the highest it has been since June, 1983 (Figure 1).

## HOME EQUITY LINES OF CREDIT -- HELPING TO FUEL R&R

Home equity lines of credit are being promoted aggressively by banks and other financial institutions. Consequently, their growth has been rapid. Outstanding balances on equity lines of credit are currently estimated at roughly $55 billion, and are expected to approach $75 billion before year's end. Surveys show that home improvement is the second most frequent use of home equity loans, behind consolidation of other debt. Therein lies the significance for the wood industry: home equity loans have helped fuel increases in repair and remodeling, a major growth segment of the domestic wood products market. Home equity loans are also used for furniture and second home purchases.

Home equity loans typically provide a credit line equal to the

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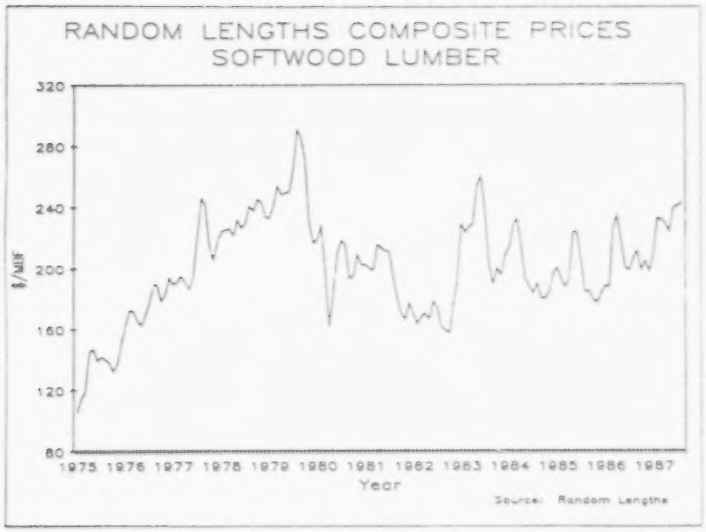



**Figure 1:** The Random Lengths Composite for softwood lumber is at its highest level in four years.

difference between 80 percent of the current market value of a home and the debts the homeowner has secured with his property. Thus, home equity lines of credit generally have higher credit limits than other types of consumer loans. Often they exceed $20,000. Applicants incur closing costs as they would if applying for a mortgage, but interest rates are lower.

According to a University of Michigan survey conducted during March and April for the Federal Reserve Board, most consumers are familiar with home equity loans. About six percent of those surveyed had actually established a home equity line of credit. An additional one percent had applied for such an account but had not yet received approval, while another five percent indicated that they were considering opening a home equity credit line account in the near future. Families holding equity lines of credit tended to have higher family incomes and were somewhat younger and better educated than homeowners in general.

Of the respondents who had established lines of credit, 41 percent said they used the loans for consolidation of other debt, while 36 percent cited home improvement. These findings resembled the results of a Business Week/ Harris poll of 834 households conducted in January. Nine percent of the respondents in that poll also indicated that they purchased second homes with their credit lines.

**Changes In Store?**

Under present law, interest paid on home equity loans is deductible, to the amount of the original cost of the property (plus improvements). Individuals who compute the alternative minimum tax can deduct home equity interest only if used in connection with acquiring, constructing, or substantially rehabilitating a residence.

Congress is considering changes to these tax provisions. Among proposals now being discussed are limitations on the deductibility of home equity interest. Deductibility may be limited to home improvement, education and/or medical uses. Alternately, specific exclusions for purchases of items such as boats and mobile homes, could be legislated. Finally, a ceiling could be placed either on the amount of the deduction or the amount of principal, depending upon how much revenue needed to be raised.

The impact on the wood products industry could be significant if consumers' ability to use home equity lines of credit for *construction, home improvement or second homes* is in any way restricted. Restrictions for borrowing also could affect other industry segments, such as furniture.

## MARKET FOCUS -- WINDOWS AND DOORS

Wood windows and doors are value-added specialty products which occupy a unique niche in the wood products market. Over the years manufacturers of wood windows and doors have had to meet challenges of competing materials and changing technologies. But they have managed to adapt to the marketplace where aluminum, steel, and plastics have made significant inroads.

Fortunately, the market for all types of windows and doors has been favorable recently, stimulated in large part by R&R projects. According to a report prepared for the National Wood Window and Door Association by McGraw Hill/LSI, the number of windows and doors installed in 1986 is broken down as follows:

37.8 million windows
34.0 million interior doors
7.0 million exterior doors
5.0 million patio doors

### Housing Starts Affect Windows and Doors

The multi-family sector of the housing market has led the nation's overall decline in housing starts this year. This has caused demand for materials needed to construct single-family units to remain at a high level. The housing start mix is significant for windows and doors, since single family units have more windows and doors than multifamily units. The growing size of new houses also contributes to the high demand for these materials. On the other hand, replacement windows and doors -- and doors and windows for new additions -- will be stronger this year, perhaps even higher than last year's record pace.

### More Windows, More Wood

In the case of windows, wood clad fabrication (combining wood with other materials) has enabled the wood industry to recapture market share previously lost to aluminum during the 1970s. About half of all windows are ordered for new housing construction, and about half for the R&R market. The trend toward larger houses has translated into increased demand for more windows. For example, the average single family *detached* home was constructed with 14.2 windows in 1986. This was up from an average of 12 windows during the late 70s, early 80s. The number of windows used in single family *attached* homes also rose last year to an average of 11 windows per unit.

Although aluminum-framed windows have dominated the market mix since the mid-1970s, the use of wood clad windows has apparently increased, allowing wood-based windows to recapture market share. This type of window is essentially wood, but aluminum or vinyl covering is formed over wood frames, providing the thermal and easy care advantages of both materials. Figure 2 depicts the changing market share for the materials used in window construction between 1979 and 1987.

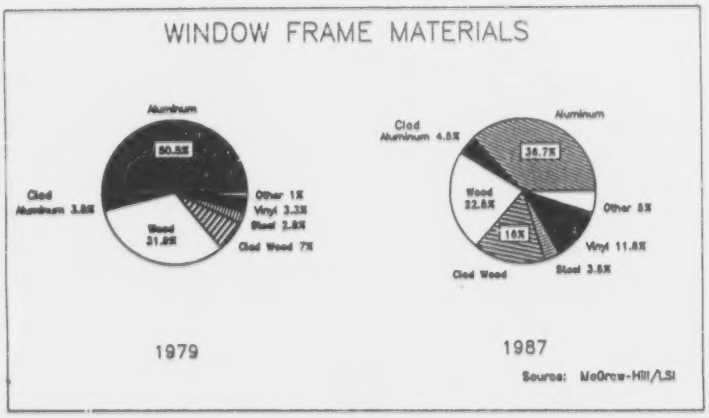



**Figure 2:** Wood windows have recaptured market share due in large part to wood clad designs.

**Doors**

Approximately 33 million interior doors were installed during 1986; virtually all interior residential doors used in the United States are constructed with wood materials. Interior doors are generally built from hardboard panels and hardboard molded materials. According to the LSI study, the average single family *detached* home constructed in the United States last year had 14 interior doors and 4 exterior doors. *Attached* single family homes used slightly fewer doors -- 12 interior and 3 exterior. The exterior wood door market has declined since 1979, as the popularity of steel doors has increased. Nearly 65 percent of the 7 million exterior doors installed last year were steel, up from 43 percent in 1979.

The total number of patio doors installed last year is estimated at 5.1 million. These were generally of two types: sliding glass and hinged, the latter being predominantly wood. New single family housing units had an average of 1.2 patio doors in 1986. In *detached* homes, three-quarters of the patio doors were sliding glass variety, and the balance were a hinged type. The percentage of sliding glass doors in *attached* homes was higher, at 83 percent.

**Mobile Homes**

Mobile homes also use significant quantities of windows and doors. In 1986, a total of 2.7 million windows, 2.2 million interior doors, and 0.4 million exterior doors were purchased for mobile homes. Mobile homes shipped in 1986 used, on average, 10.7 windows per unit. About 15 percent of mobile homes also have patio doors. Aluminum is the dominant material used in mobile home windows and doors.

## CONSERVATION RESERVE SIGNS MORE TREE ACRES

The U.S. Department of Agriculture accepted 261,838 additional acres of trees to be planted into the Conservation Reserve Program (CRP). The acres were accepted from bids submitted under the fifth sign-up in July (see the June issue of the Economics Monthly), bringing the total tree acres under the program to over 1.2 million. The next sign-up is scheduled for February, 1988.

## INTERNATIONAL WOOD PRODUCTS TRADE SHEETS AVAILABLE

Four volumes of U.S. wood products trade data organized by country (1982 - 1986) are now available from NFPA. Volume I features summary statistics on total U.S. imports and exports of wood products by product grouping. Three additional volumes with individual country data are organized by world market area as follows:

*Volume II:*
North, Central and South America

*Volume III:*
Europe, Near East Asia, and Africa

*Volume IV:*
Asia and Oceania

Volume I is available to NFPA members for $2.50, and $7.00 to non-members. Other volumes are $6.00 each (members) or $15.00 each (non-members). A package price for all four volumes is also avaiiable. For purchasing information, contact Renee Browne at 202/463-2714.

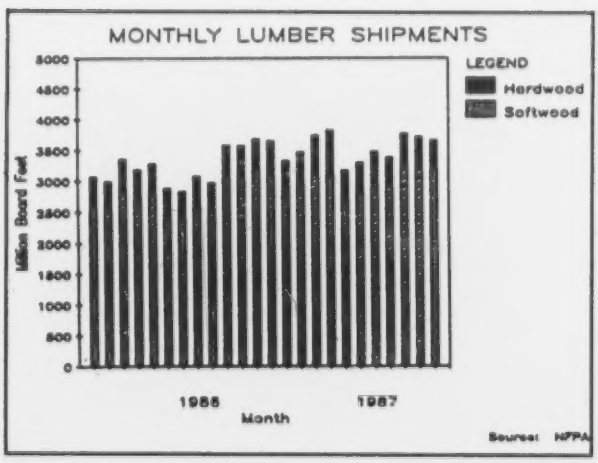
# ECONOMICS MONTHLY

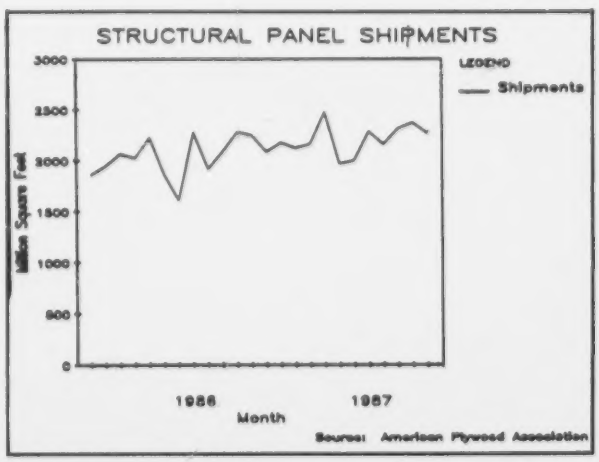
**MONTHLY STATISTICAL SUPPLEMENT**

**Issued: August, 1987**

## ESTIMATED INDUSTRY TOTALS BY PRODUCING REGION

| | JUNE, 1987 | | | JUNE 30, 1987 | |
|---|---|---|---|---|---|
| | Production | Shipments | Orders Received | Unfilled Orders | Gross Stocks |
| | (Million Board Feet) | | | | |
| SOFTWOOD LUMBER | | | | | |
| Southern Pine Region | 1,071 | 1092 | 1156 | 1005 | 1,949 |
| Douglas Fir Region | 964 | 1,025 | 976 | 704 | 921 |
| Western Pine Region | 1,051 | 1,049 | 1,074 | 608 | 1,333 |
| California Redwood Region | 191 | 209 | 199 | 102 | 419 |
| Other Softwoods | 167 | 172 | 174 | 283 | 305 |
| TOTAL SOFTWOODS | 3,444 | 3,547 | 3,579 | 2,702 | 4,927 |
| % Change - May 1987 | 7.8% | 7.1% | 3.3% | 1.2% | -2.0% |
| % Change - June 1986 | 18.1% | 14.6% | 15.8% | 37.4% | 8.0% |
| HARDWOOD LUMBER | | | | | |
| Southern Hardwood Region | 222 | 236 | 231 | 310 | 679 |
| Appalachian Hardwood Reg. | 48 | 52 | 51 | * | * |
| Other Hardwoods | 191 | 204 | 199 | 257 | 627 |
| TOTAL HARDWOODS | 461 | 492 | 481 | 567 | 1,306 |
| % Change - May 1987 | 3.6% | 0.6% | -7.3% | -1.7% | -2.3% |
| % Change - June 1986 | -19.1% | -11.4% | -11.7% | 20.6% | -26.2% |
| TOTAL LUMBER | 3,905 | 4,039 | 4,060 | 3,274 | 6,233 |
| % Change - May 1987 | 7.3% | 6.3% | 1.9% | 0.6% | -2.1% |
| % Change - June 1986 | 12.0% | 10.7% | 11.6% | 34.3% | -1.6% |
| * Included in Other Hardwoods | | | | | |
| | (Thousand Feet) | | | | |
| FLOORING | | | | | |
| Oak Flooring (Bd. Ft.) | NA | 15,916 | NA | 13,485 | 5,905 |
| Maple Flooring (Sq. Ft.) | 895 | 1,276 | 1,345 | 3,884 | 2,002 |
| STRUCTURAL PANELS (Sq. Ft.) | 2,392,931 | 2,351,490 | 2,649,583 | 757,947 | 428,000 |
| % Change - May 1987 | 6.9% | 3.8% | 28.4% | 38.3% | 10.9% |
| % Change - June 1986 | 18.0% | 12.9% | 19.3% | -8.5% | 4.6% |

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## YEAR-TO-DATE INDICATORS

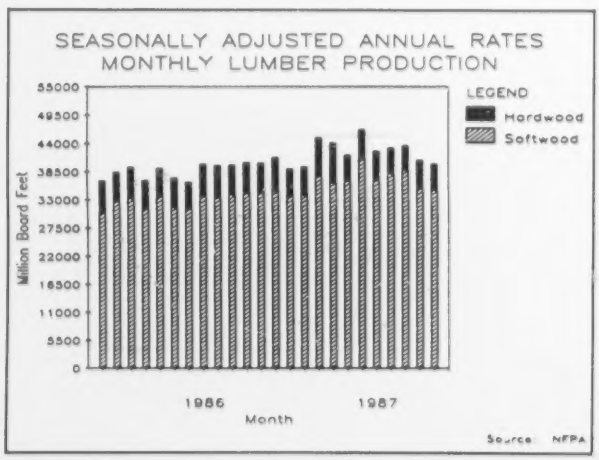
| | PRODUCTION | | SHIPMENTS | | ORDERS RECEIVED | |
|---|---|---|---|---|---|---|
| | Latest Period Available | % Change | Latest Period Available | % Change | Latest Period Available | % Change |
| | 6 mo.'87 | 6 mo.'86 | 6 mo.'87 | 6 mo.'86 | 6 mo.'87 | 6 mo.'86 |
| | (Million Board Feet) | | | | | |
| TOTAL LUMBER | 21,930 | 7.6% | 22,402 | 9.1% | 22,952 | 11.4% |
| TOTAL SOFTWOOD | 19,308 | 11.4% | 19,424 | 10.8% | 19,908 | 13.6% |
| TOTAL HARDWOOD | 2,622 | -13.9% | 2,978 | -0.5% | 3,044 | -1.0% |
| | (Million Square Feet) | | | | | |
| STRUCTURAL PANELS | 13,815 | 6.7% | 13,737 | 6.6% | 13,936 | 9.0% |

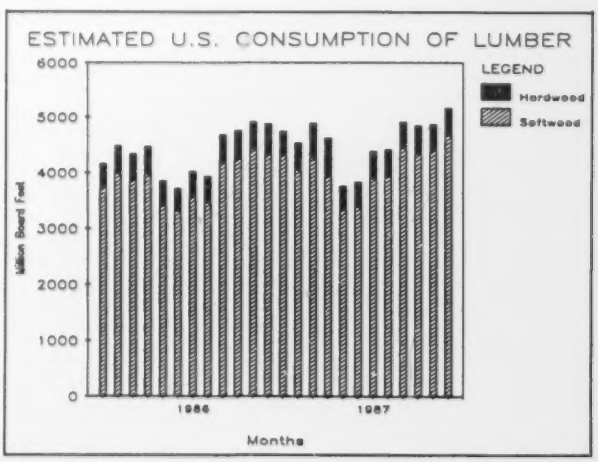
## SEASONALLY ADJUSTED ANNUAL RATES

| | PRODUCTION | | | SHIPMENTS | | |
|---|---|---|---|---|---|---|
| | | ---% Change From-- | | | ---% Change From-- | |
| LUMBER REGION | June '87 | May '87 | June '86 | June '87 | May '87 | June '86 |
| | (Million Board Feet) | | | (Million Board Feet) | | |
| Southern Pine | 12,447 | 9.0% | 6.8% | 12,297 | 10.7% | 5.7% |
| Douglas Fir | 11,665 | 13.1% | 35.0% | 11,846 | 14.3% | 29.9% |
| Western Pine | 12,809 | 19.9% | 18.1% | 12,069 | 8.8% | 11.0% |
| Calif. Redwood | 2,218 | 10.4% | 13.7% | 2,198 | 4.4% | 18.1% |
| Other Softwoods | 1,972 | 12.1% | 17.6% | 1,988 | 11.5% | 14.7% |
| TOTAL SOFTWOODS | 41,111 | 13.6% | 18.2% | 40,399 | 10.8% | 14.7% |
| TOTAL HARDWOODS | 5,304 | 0.7% | -19.1% | 5,707 | 1.3% | -11.4% |
| TOTAL LUMBER | 46,415 | 12.0% | 12.3% | 46,106 | 9.6% | 10.7% |

## DOMESTIC LUMBER CONSUMPTION

| | CURRENT | | | YEAR-TO-DATE | |
|---|---|---|---|---|---|
| | Latest Month Available | ----% Change From---- | | Latest Period Available | % Change From |
| | June '87 | May '87 | June '86 | 6 mo.'87 | 6 mo.'86 |
| | (Million Board Feet) | | | | |
| Total Consumption | 5,163 | 6.0% | 7.0% | 28,590 | 6.5% |
| Softwood Consumption | 4,676 | 6.2% | 9.2% | 25,718 | 7.6% |
| Hardwood Consumption | 487 | 4.0% | -9.9% | 2,873 | -2.5% |

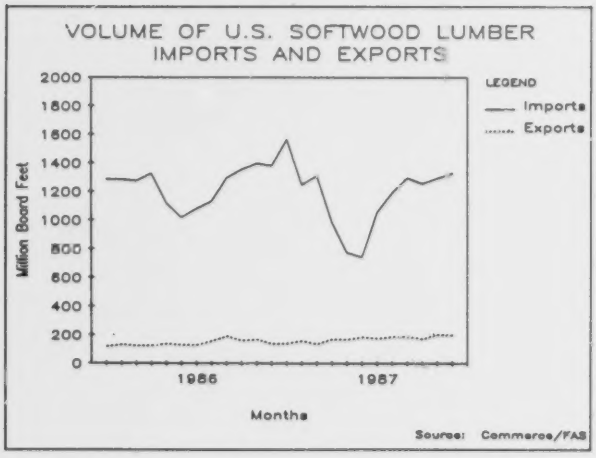


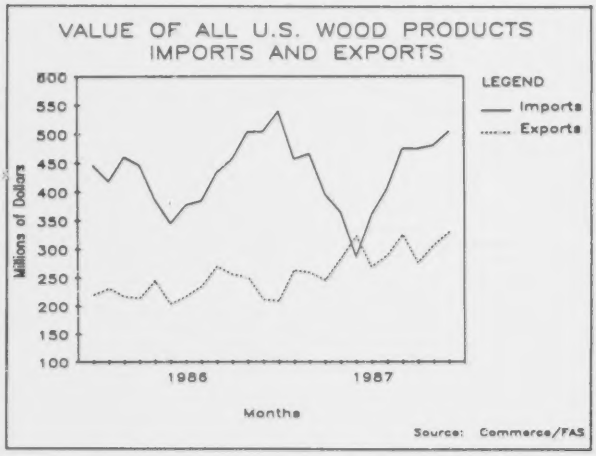



## INTERNATIONAL TRADE STATISTICS

| | | VOLUME | | | | VALUE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | June '87 | 6 mo. 1987 | % Change From May '87 | % Change From 6 mo. 1986 | June '87 | 6 mo. 1987 | % Change From May '87 | % Change From 6 mo. 1986 |
| EXPORTS | | | | | | | | | |
| SOFTWOOD LUMBER | MMBF | 196.4 | 1,115.2 | -2.2% | 20.1% | 66,630 | 398,780 | -8.8% | 28.8% |
| To Canada | MMBF | 43.4 | 218.3 | 4.6% | 22.1% | 10,567 | 53,810 | 7.1% | 21.6% |
| SOFTWOOD LOGS | MMBF | 395.3 | 1,873.5 | 37.3% | 11.9% | 144,029 | 644,526 | 41.1% | 19.4% |
| SOFTWOOD PLYWOOD | MMSF 3/8" | 39.2 | 404.4 | 34.8% | 35.6% | 8,753 | 89,655 | 31.4% | 39.5% |
| HARDWOOD LUMBER | MMBF | 60.4 | 320.5 | 3.1% | 36.5% | 38,072 | 205,070 | 2.1% | 26.8% |
| HARDWOOD LOGS | MMBF | 7.3 | 85.7 | -22.6% | 31.2% | 6,797 | 69,654 | -40.7% | 15.3% |
| HARDWOOD VENEER | MMSFsurf | 131.5 | 701.9 | -6.7% | 51.2% | 9,144 | 55,302 | -13.1% | 46.8% |
| PARTICLEBOARD | MMSF 3/4" | 21.1 | 111.7 | 20.4% | 38.0% | 5,078 | 24,738 | 29.0% | 55.2% |
| ALL OTHER | | NA | NA | NA | NA | 49,421 | 297,594 | -17.5% | 21.9% |
| TOTAL U.S. EXPORTS | | NA | NA | NA | NA | 329,122 | 1,793,181 | 7.5% | 24.6% |
| IMPORTS | | | | | | | | | |
| SOFTWOOD LUMBER | MMBF | 1,325.8 | 7,408.8 | 2.6% | -2.9% | 275,012 | 1,495,449 | 3.7% | -5.4% |
| From Canada | MMBF | 1,315.7 | 7,342.6 | 2.6% | -2.9% | 271,680 | 1,477,631 | 3.5% | -5.6% |
| SOFTWOOD LOGS | MMBF | 3.7 | 12.3 | 65.3% | -38.3% | 860 | 4,295 | -22.1% | 90.1% |
| SOFTWOOD PLYWOOD | MMSF 3/8" | 13.3 | 63.9 | 9.0% | -7.8% | 3,818 | 16,886 | 45.1% | -6.3% |
| HARDWOOD LUMBER | MMBF | 51.7 | 212.2 | 41.9% | 15.0% | 23,958 | 111,691 | 20.5% | 29.0% |
| HARDWOOD LOGS | MMBF | 1.2 | 8.3 | -18.4% | -24.1% | 383 | 1,382 | 95.4% | -27.1% |
| HARDWOOD VENEER | MMSFsurf | 167.4 | 873.4 | 3.0% | 7.4% | 12,341 | 66,955 | -5.4% | 16.7% |
| HARDWOOD PLYWOOD | MMSFsurf | 352.1 | 1,985.0 | 16.1% | -1.3% | 51,308 | 280,383 | 7.9% | 13.3% |
| HARDBOARD | MMSF 1/8" | 80.1 | 416.3 | -6.1% | -11.6% | 5,794 | 30,468 | -0.5% | 3.3% |
| PARTICLEBOARD | MSF 3/4" | 124.5 | 681.1 | 1.7% | 27.3% | 12,116 | 66,978 | 0.4% | -5.9% |
| ALL OTHER | | NA | NA | NA | NA | 117,669 | 622,833 | 5.0% | 10.5% |
| TOTAL U.S. IMPORTS | | NA | NA | NA | NA | 503,824 | 2,700,085 | 5.0% | 1.5% |

Note: Volume total is not possible because the products are in different units of measure.
Note: Particleboard imports include OSB/Waferboard.



## VALUE OF NEW CONSTRUCTION

| | CURRENT | | | YEAR-TO-DATE | |
|---|---|---|---|---|---|
| | Latest Month Available | % Change From | | Latest Period Available | % Change From |
| | June '87 | May '87 | June '86 | 6 mo. '87 | 6 mo. '86 |
| | (Billions of Dollars) | | | | |
| VALUE OF ALL NEW CONSTRUCTION PUT-IN-PLACE | 36.5 | 8.6% | 6.1% | 180.8 | 4.7% |
| Private | 29.6 | 8.0% | 7.6% | 148.0 | 4.4% |
| Residential | 19.0 | 13.1% | 15.2% | 89.6 | 14.3% |
| Nonresidential & Other | 10.6 | 0.0% | -3.6% | 58.5 | -7.7% |
| Public | 6.9 | 11.3% | 0.0% | 32.7 | 6.1% |

## HOUSING STARTS

| | June '87 | May '87 | June '86 | 6 mo. '87 | 6 mo. '86 |
|---|---|---|---|---|---|
| | (Thousands of Units) | | | | |
| NEW HOUSING UNITS STARTED | | | | | |
| Total Private & Public | 165.0 | 4.2% | -10.1% | 832.0 | -10.8% |
| New Private Starts | 164.7 | 4.2% | -10.3% | 831.1 | -10.8% |
| Seas. Adj. Annual Rate | 1,597.0 | -0.6% | -13.3% | | |
| One-Family Housing Starts | 115.3 | 1.1% | -7.7% | 589.1 | -2.4% |
| Proportion of Total | 0.7 | | | 4.2 | |
| | (Number of Units) | | | | |
| SHIPMENTS OF MOBILE HOMES | 21,500.0 | 6.4% | 0.5% | 82,400 | -34.0% |

## INDUSTRY EMPLOYMENT

| | June '87 | % Change From May '87 | % Change From June '86 |
|---|---|---|---|
| | (Thousands of Employees) | | |
| TOTAL EMPLOYMENT (Seasonally Adj.) | | | |
| All Industries | 101,788 | 0.1% | 2.5% |
| All Manufacturing Industries | 19,029 | 0.0% | 0.4% |
| Lumber and Wood Products | 736 | -0.4% | 4.1% |
| Furniture and Fixtures | 510 | 0.2% | 2.6% |